

# Next-era value creation and preservation for private equity firms

## Five future-proofing investment strategies to drive value

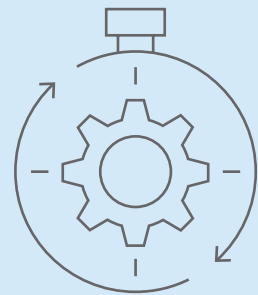
From the global pandemic to climate change to social movements and more, the business landscape is shifting dramatically, and middle market private equity (PE) firms will need to approach value creation more deliberately going forward. As the leading provider of audit, tax and consulting services focused on the middle market, RSM foresees private equity investment strategies being highly influenced by current environmental, social and governance (ESG) trends, in addition to technology transformation and data best practices.

The firm's industry experts see general partners who engage on the issues of technology, data and ESG as continuing to do well at value creation and driving returns, and those not keeping pace with the times as losing out on opportunity. When it comes to future-proofing investment strategies, here are five signs that a PE firm is headed in the right direction:

1

### Setting sights on **impact turnaround**

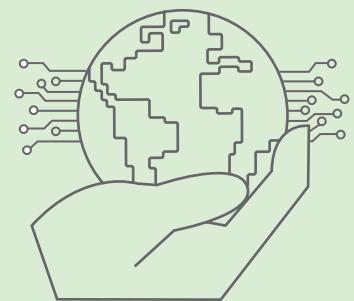
In the future there will be greater expectations for PE firms to take proactive ESG measures aimed at generating positive, measurable social and environmental impact alongside a financial return. By modernizing assets through practical implementation of ESG principles, PE firms can help protect and prepare portfolio companies ahead of inevitable change that will affect business. What could this look like? Two examples from a consumer products perspective are moving vehicle fleets and production practices to green energy, and turning waste management companies into circular economy businesses. Meanwhile, all businesses will look to attract more diverse talent, suppliers and consumers.



2

### Moving toward **high-tech sustainability**

Cutting-edge advancements in technology will continue to bring new and better ways to engender sustainability and the circular economy. Consider the use of blockchain in supply chain processes and management to achieve more transparent and accurate end-to-end tracking. Farm-to-table food traceability is good for business because it increases consumer confidence around knowing exactly where a meal comes from, and how byproducts or waste can be repurposed to grow healthy new food.



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### Adjusting speed for **holistic due diligence**

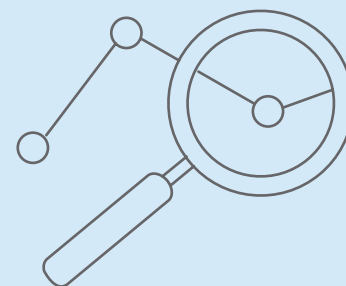
Could a more sophisticated use of data be leveraged to make due diligence quicker in the future? In short, yes, but these efficiencies should only open the road for a broader range of diligence checkpoints to further reduce risk in an M&A transaction. There was a day when tracking a company's social media activity wasn't a priority, but now it would be negligent not to consider the online footprint of a target's leadership and board members before moving forward on a deal.



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### Planning a course around **data-driven insights**

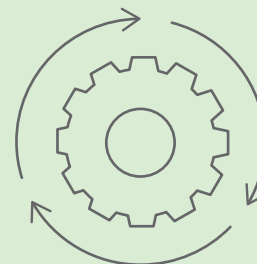
The role of data and predictive analytics to enhance investment strategy and decision-making will continue to increase. Looking beyond just sales numbers, PE firms will use real-time key performance indicators (KPIs) from all functional areas to anticipate and solve issues before they become problems. Imagine not having to wait for monthly financial reports to see sales targets were missed, and being able to monitor multiple KPIs and metrics on one central dashboard.



5

### Pulling out all stops for **automation**

The power of automation will continue to surge throughout a portfolio company's operations, from the supply chain to support functions such as HR. We're also seeing portfolio companies with a high level of technological maturity spinning out new businesses to help other companies leverage data intelligence to streamline, modernize and reduce costs.



These are just some of the trends that PE firms of the future will need to embrace in the race to create value at the fund and portfolio level. RSM's technical expertise, industry focus, and leadership in the middle market make us uniquely positioned to help your firm navigate this new business landscape and drive results. **Contact your RSM representative now to learn more.**

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